

China Retail & E-commerce Weekly Update



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I. Sector Review 2

Internet & E-commerce 2

Meituan’s Xiaoxiang Supermarket opens 680+ front-end warehouses in 2Q24 2

Bilibili’s 2Q24 revenue reaches 6.13 billion yuan as e-commerce business continues to grow rapidly 2

East Buy’s fiscal 2024 GMV increases by 43% yoy to 14.3 billion yuan 2

Meituan’s 2Q24 revenue up 21% yoy to 82.3 billion yuan 3

Baozun E-commerce’s 2Q24 revenue reaches 2.39 billion yuan as e-commerce revenue grows by 6% yoy 3

Ele.me launches a new support plan for front-end warehouse merchants 3

Department stores & Shopping Malls 4

Rainbow’s net profit falls by 28.34% yoy in 1H24 4

Supermarkets & Hypermarkets 4

Yonghui achieves net profit of 275 million yuan in 1H24 4

Retail Logistics 4

SF Intra-city’s same-city delivery service revenue increases by 19.2% year-on-year to 4.038 billion yuan 4

Luxury 5

Luxury brand MCM closes its flagship store on Xiaohongshu 5

Food & Beverage 5

ChaPanda’s revenue decreases by 10% yoy to 2.396 billion yuan in 1H24 5

Naixue’s adjusted net loss exceeds 400 million yuan in 1H24 5

Luckin Coffee begins building Innovation Production Centre in Qingdao with a total investment of three billion yuan 6

II. Market Overview 6

Shenzhen’s total retail sales of consumer goods reach 596.548 billion yuan from January to July, up 1.2% yoy 6

References (in Chinese) 7

I. Sector Review

Internet & E-commerce

Meituan's Xiaoxiang Supermarket opens 680+ front-end warehouses in 2Q24

In the second quarter, Meituan (美团) opened more than 680 front-end warehouses for its self-operated instant retail business, Xiaoxiang Supermarket (小象超市), of which about 550 are in the four first-tier cities – namely Beijing, Shanghai, Guangzhou and Shenzhen. Since entering the Suzhou market last year, Xiaoxiang Supermarket has also extended its reach to cities such as Hangzhou, Wuxi and Dongguan. In the first half of this year, the business' sales growth exceeded 30%. In terms of expansion, Xiaoxiang Supermarket has chosen to harness the existing central warehouse capacity in first-tier cities to expand into surrounding lower-tier cities, progressively expanding under the premise of cost control.¹

Bilibili's 2Q24 revenue reaches 6.13 billion yuan as e-commerce business continues to grow rapidly

Bilibili (哔哩哔哩) recently released its unaudited financial results for the second quarter of 2024. Bilibili's revenue rose 16% yoy to 6.13 billion yuan during this period while narrowing its loss to 608 million yuan. The company's revenue was driven by a 30% yoy increase in advertising revenue and a 13% yoy increase in revenue from its gaming business, of which executives said that e-commerce and home appliances were two of the biggest areas of advertising growth in the quarter. Emerging segments such as Internet services, AI, and education also saw double-digit year-on-year growth.

East Buy's fiscal 2024 GMV increases by 43% yoy to 14.3 billion yuan

East Buy (东方甄选) recently announced its financial results for the 2024 fiscal year (ended 31 May 2024). During this period, the company posted a net profit of 1.7 billion yuan, of which 1.3 billion yuan came from gains on the shedding of its education business, while profit from continuing operations declined nearly 70% yoy to 249.1 million yuan. The company's total GMV during this period was 14.3 billion yuan, a year-on-year increase of 43%; total revenue reached 7.072 billion yuan, a year-on-year increase of 56.8%. During the reporting period, the total number of paid orders on Douyin (抖音) reached 181.1 million, a significant year-on-year increase from 136.3 million orders in fiscal 2023.²

Meituan's 2Q24 revenue up 21% yoy to 82.3 billion yuan

Meituan (美团) recently released its financial results for the second quarter of 2024. During this period, the company's revenue increased by 21% yoy – a bigger rise than expected – to 82.3 billion yuan, up from 67.9 billion yuan in the same period a year earlier. By business segment, delivery service revenue was 23 billion yuan, commission was 22.1 billion yuan, online marketing service revenue was 12.3 billion yuan, and other services and sales were 3.3 billion yuan. As of early July, the number of merchants participating in the 'God-tier' membership programme reached 5 million. Meituan Group Buying has also expanded to more high-quality and low-priced products and service categories. Among them, the gross transaction volume (GTV) and order volume of leisure and entertainment products have increased year-on-year.³

Baozun E-commerce's 2Q24 revenue reaches 2.39 billion yuan as e-commerce revenue grows by 6% yoy

Baozun E-commerce (宝尊电商) recently announced its financial results for the second quarter of 2024. During this period, the company's revenue grew by 3.1% yoy to 2.39 billion yuan – of which e-commerce business revenue was 2.1 billion yuan, a year-on-year increase of 6%, and brand management business revenue was 290 million yuan. The net loss attributable to shareholders under non-GAAP measures was 3.9 million yuan, compared with 4.4 million yuan in the same period of 2023.⁴

Ele.me launches a new support plan for front-end warehouse merchants

Ele.me (饿了么) recently launched a new support plan for front-end warehouse merchants. It will enable new small and medium-sized warehouse merchants to start their businesses through cash incentives and other support measures, stimulating the growth of the front-end warehouse store industry. The support plan covers eight new support measures, including: high commission refunds, multiple traffic measures, business district and product recommendations, exclusive marketing subsidies, new warehouse site selection recommendations, exclusive material support, more channel exposure, store operation guidance, etc.⁵

Department stores & Shopping Malls

Rainbow's net profit falls by 28.34% yoy in 1H24

Rainbow Digital Commercial Co. (天虹股份) recently released its interim results for 2024. In the first half of 2024, the company achieved a total operating revenue of 6.119 billion yuan, a year-on-year decrease of 1.81%, and a net profit attributable to shareholders of 154 million yuan, a year-on-year decrease of 28.34%; the net profit attributable to shareholders after deducting non-recurring gains and losses was 116 million yuan, a year-on-year decrease of 15.99%. During the reporting period, Rainbow closed four independent supermarket stores. By the end of the reporting period, the company had entered 34 cities in seven provinces/municipalities, including Guangdong, Jiangxi, Hunan, Fujian, Jiangsu, Zhejiang, and Beijing, and operated a total of 41 shopping centres (including four franchised ones), 59 department stores (including one franchised one), and 112 supermarkets (including 25 independent supermarkets).⁶

Supermarkets & Hypermarkets

Yonghui achieves net profit of 275 million yuan in 1H24

Yonghui Superstores (永辉超市) recently released its interim results for 2024. In the first half of 2024, Yonghui's operating revenue reached 37.779 billion yuan, a year-on-year decrease of 10.11% amid a weak consumption. Yonghui achieved a net profit attributable to shareholders of 275 million yuan in the first half of the year through active store closures and systematic reforms – a year-on-year decrease of 26.34%. During the reporting period, the number of registered members of the 'Yonghui Life' app has exceeded 200.4 million. In terms of offline business, Yonghui actively optimized its national store network, adding five new stores and closing 62 underperforming stores.⁷

Retail Logistics

SF Intra-city's same-city delivery service revenue increases by 19.2% year-on-year to 4.038 billion yuan

On August 28, SF Intra-city (顺丰同城) recently released its interim results for the first half of 2024. During this period, the company's operational revenue increased by 19.6% yoy to 6.8785 billion yuan in the first half of 2024; order volume also grew by more than 30% year-on-year. Revenue from intra-city delivery services increased by 19.2% yoy to 4.038 billion in the first half of 2024. Revenue from last-mile delivery services increased by 20.3% yoy to 2.8405 billion yuan in the first half of 2024.⁸

Luxury

Luxury brand MCM closes its flagship store on Xiaohongshu

Affordable luxury brand MCM recently announced its upcoming closure on Xiaohongshu (小红书) on 16 September, as it begins removing product listings online. At present, the store has 46,000 fans and only four product links are left, with prices ranging from 2,100 yuan to 10,500 yuan – though all four products are currently listed as sold out. Customers can still purchase MCM products through other online and offline official sales channels. MCM was founded in Germany in 1976 and currently has 650 stores in 40 countries worldwide. Its main products include leather goods, watches, perfumes, luggage, etc. Its Chinese operator is Shenzhen Hemei Group. According to a performance forecast released by Hemei Group on 10 July, the company is expected to lose between 19-27 million yuan in the first half of 2024, a significant increase in losses compared with the same period last year.

Food & Beverage

ChaPanda's revenue decreases by 10% yoy to 2.396 billion yuan in 1H24

ChaPanda (茶百道) recently released its first interim results after its listing. During the first half of 2024, ChaPanda achieved revenue of 2.396 billion yuan, a decrease of 10% yoy from the same period last year; its adjusted net profit was about 395 million yuan. In the first half of 2024, the majority of ChaPanda's revenue – 95% in total – came from the sale of goods and equipment to franchise stores, and the collection of royalties and franchise fees from franchisees. Furthermore, ChaPanda's domestic stores increased from 6,954 to 8,385 between June 2023 and June 2024, a year-on-year increase of 20.6%; it had nine directly-operated stores.⁹

Naixue's adjusted net loss exceeds 400 million yuan in 1H24

Tea beverage brand Naixue (奈雪的茶) recently released its financial results for the first half of 2024. During this period, the company's revenue fell by 1.9% yoy from 2.59 billion yuan to 2.54 billion yuan; the adjusted net loss was about 438 million yuan, compared to a profit of 70.2 million yuan in the same period last year. According to a company statement, consumer demand remained weak in the first half of 2024, and the company's profitability showed a significant year-on-year decline due to the high comparison base in January to April 2023. Although the group has continued to optimize its store cost structure and has achieved remarkable results, store revenue levels have remained under pressure, resulting in a significant impact on the store operating profit margin. In terms of store scale, as of 30 June 2024, the group has 1,597 directly operated Nayuki stores in 114 cities. In the first half of the year, the company opened 23 new directly operated stores.¹⁰

Luckin Coffee begins building Innovation Production Centre in Qingdao with a total investment of three billion yuan

Luckin Coffee (瑞幸咖啡) recently began construction on its Innovation Production Centre in the Chengyang District of Qingdao, while also kicking off the Luckin Brazil Coffee Culture Festival. The total investment in the Luckin Coffee Innovation Production Centre is about three billion yuan, with an estimated annual roasting capacity of 55,000 tons. The centre will further optimize the integration of the vertical supply chain of high-quality coffee and provide new momentum for long-term development. It will be equipped with smart equipment to achieve fully automated production from raw bean processing, coffee bean roasting and packaging to warehousing and logistics. After completion, the centre will form a baking supply network with an annual roasting capacity of more than 100,000 tons together with Luckin's two major roasting hubs in Xingjian and Jiangsu, supporting more than 20,000 stores across the country.¹¹

II. Market Overview

Shenzhen's total retail sales of consumer goods reach 596.548 billion yuan from January to July, up 1.2% yoy

According to the Shenzhen Statistics Bureau, from January to July, the city's total retail sales of consumer goods reached 596.548 billion yuan, up 1.2% yoy. By consumption type, retail sales of physical goods increased by 1.2% yoy, and catering revenue increased by 0.6% yoy. Retail sales of 'grain, oil and food' and 'beverages' of retail units above designated size increased by 11.0% yoy and 12.4% yoy respectively. The trend of consumer goods upgrades continued, with retail sales of 'communication equipment' and 'household appliances and audio-visual equipment' of retail units above designated size increasing by 3.1% yoy and 2.4% yoy respectively. Online retail sales continued to grow, as the online retail sales of goods realized by units above designated size increased by 5.0% yoy.¹²

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Fung Business Intelligence

Fung Business Intelligence collects, analyses and interprets global market data on sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to monitor, research and report on these global issues with a particular focus on business trends and developments in China. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consulting services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

Fung Group

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including sourcing, logistics, distribution and retail. The Fung Group comprises over 26,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

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